



U.S. General Services Administration

Federal Acquisition Service

The Federal Strategic Sourcing Initiative (FSSI)

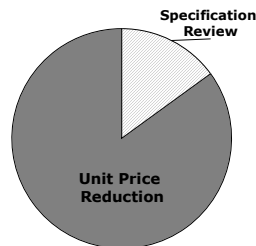
Strategic Sourcing Levels of Effort

Strategic sourcing commodity strategies should focus on those drivers that yield the most benefit, aligning level of effort with expected return

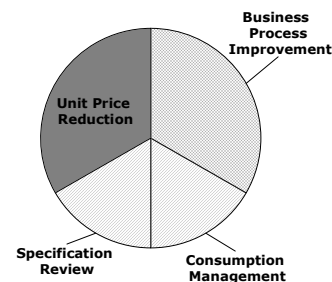
- Different commodities derive their benefits from strategic sourcing in different ways
- The objectives of a commodity strategy, and therefore the level of effort invested in a strategic sourcing initiative, should focus on those areas where the most benefit impact can be realized

EXAMPLES OF SOURCES OF STRATEGIC SOURCING BENEFITS

COMMODITY A



COMMODITY B



- Commodity A derives benefit primarily through unit price reduction and some initial specifications review
- Commodity B is a more complex commodity and leverages all drivers to maximize the benefit of the strategic sourcing process for this commodity

STRATEGIC SOURCING LEVELS OF FOCUS

Drivers of Benefits	LEVEL I	LEVEL II	LEVEL III
Unit Price Reduction	Red	Green	Blue
Specification Review	Hatched	Green	Blue
Consumption Management	White	Green	Blue
Business Process Improvement	White	White	Blue

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Shaded areas denote commodity strategy focus



The strategic sourcing levels of focus are defined by their associated strategic objectives, each addressing deeper components of total cost of ownership

	Strategic Objectives
LEVEL I Accelerated Sourcing	<ul style="list-style-type: none">• Quickly achieve reductions in unit pricing through leveraging spend volumes and competition amongst suppliers• Conduct requirements standardization where possible to aggregate volumes• Begin collection of detailed spend data to improve understanding of spend• Drive improvement in socio-economic participation where a viable supply base exists• Reduce redundant contracting actions
LEVEL II Demand Optimization	<ul style="list-style-type: none">• Reduce total cost of ownership through addressing major cost drivers• Standardize and optimize requirements to allow for the aggregation of spend and “right-sizing” of specifications• Actively leverage business intelligence to improve consumption/ demand decision making• Drive improvement in socio-economic participation where a viable supply base exists• Reduce redundant contracting actions
LEVEL III Total Lifecycle Management	<ul style="list-style-type: none">• Reduce total cost of ownership through addressing all relevant cost drivers• Actively leverage business intelligence to improve decision making and to drive business process improvements and acquisition cost reductions• Achieve competitive pricing and initiate joint demand planning with suppliers• Implement tools to facilitate ongoing and active management of total cost of ownership• Drive improvement in socio-economic participation where a viable supply base exists• Reduce redundant contracting actions

The strategic sourcing process can be iterated over more than one phase for appropriate types of commodities in order to capture a broader set of benefits

